



Director of
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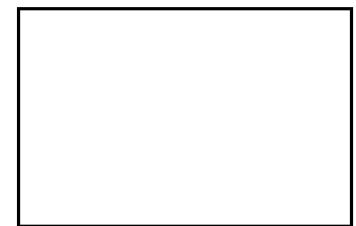
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The Overnight Reports, printed on yellow paper as the final section of the *Daily*, will often contain materials that update the Situation Reports and Briefs and Comments.



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USSR-YUGOSLAVIA: Brezhnev-Tito Summit

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Yugoslav President Tito begins talks today in Moscow with President Brezhnev. The discussions are intended to improve bilateral relations, which have sunk to their lowest point since the Soviet-led occupation of Czechoslovakia in 1968. The meeting comes after several delays caused by disagreements over international developments. The talks are likely to be difficult, and at best the two Communist leaders will be able only to agree to disagree on a variety of issues despite their relatively good personal rapport.

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Soviet-Yugoslav relations have for years fluctuated between periods of stress and periods of watchful accommodation. Current strains result from international developments that underscore the different ways the two states view the world as well as from adverse Soviet reaction to Yugoslavia's efforts to seek accommodation with rival world power centers.

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-- Yugoslavia has sought closer relations with the West, as shown by Tito's visit to Washington last year and the pursuit of a special arrangement with the EC. While not unduly concerned, the Soviets must worry about the possibility of a Yugoslav tilt too far toward the West.

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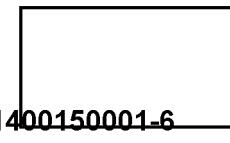
-- Yugoslavia's rapprochement with China included a reestablishment of bilateral party relations last year. Soviet Foreign Minister Gromyko expressed acute displeasure over these ties during a round of tough talks late last month with Milos Minic, Yugoslavia's top foreign affairs specialist, who was in Moscow to prepare for Tito's visit.

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-- Belgrade and Moscow argued publicly over Southeast Asia's wars last winter. The Soviets saw Yugoslavia's criticism of all involved as siding

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with the Chinese; the Yugoslavs saw in the wars a precedent for Soviet-backed interference in post-Tito Yugoslav affairs. [redacted]

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-- The Yugoslavs believe the Soviets are attempting to use the Cubans to compromise the basic principles of the Nonaligned Movement. The Soviets may believe that the Yugoslavs are attempting to lead the Movement away from its advocacy of anti-Western economic and political policies.

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[redacted]
-- Belgrade is concerned over the post-Tito implications of its current bickering with Bulgaria over the Macedonian problem. The Yugoslavs read the Bulgarian stand as a latent territorial claim on Yugoslav Macedonia, while Bulgaria sees in the Yugoslav position the same sort of threat to its own Pirin Macedonia. [redacted]

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-- Neither Belgrade or Moscow is happy over the recriminations that appear regularly in each other's press. [redacted]

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Yugoslav Perspectives

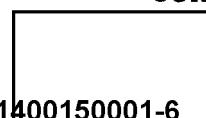
The Yugoslav leadership appears split over the timing of Tito's trip. Domestic political rivalries, plus continued economic difficulties, have led to concern in some quarters in Belgrade that Tito will appear to be going to Moscow hat in hand. According to protocol, it is Brezhnev's turn to visit Yugoslavia; hence Belgrade's stress that, unlike Tito's state visit to Moscow in August 1977, the current trip is for a party-to-party conclave. [redacted]

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Tito has answered these critics by emphasizing the need to arrest the deterioration in relations and to get a better reading on Soviet policies, especially now that a SALT II treaty is ready for signature. Belgrade is concerned over what it sees as Moscow's aggressiveness and expansionist tendencies, as witnessed by the events in Kampuchea and the Kremlin's military support for national liberation movements in Africa. Tito can also

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argue that his trip will give Yugoslavia a better glimpse of the Soviet leadership as it gets closer to the Brezhnev succession. [redacted]

The Yugoslav President, however, may not have fully overcome his subordinates' reservations. Past Tito-Brezhnev negotiations have aroused Yugoslav fears that Tito would go further than the rest of the leadership would like. Indeed, Brezhnev has in the past raised new issues on the spot and flattered Tito into making statements that have not rested well with the leadership in Belgrade. In 1977, to guard against this, the Yugoslav party Presidium reportedly gave Tito a position paper for his talks in Moscow that limited his negotiating possibilities. The Presidium met last week to discuss the Minic visit to Moscow; while reports on the session do not mention a coordinated policy document, guidelines again may have been drawn up for Tito's talks. [redacted]

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All Yugoslav leaders, guidelines or not, will argue that Tito should seek renewed assurances from the USSR that it will respect Yugoslavia's right to pursue its own "path to socialism." In addition, Tito will try to reassure the Soviets of the benefits of Yugoslav policies--such as Belgrade's use of its ties to Beijing to try to persuade China to abandon its "inevitability of war" theory. Tito may also seek certain concessions, such as Soviet deliveries of petroleum, which is now in short supply in Yugoslavia. [redacted]

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Soviet Objectives

Moscow, just as Belgrade, considers it important to curb the current deterioration in relations and to put them on a more stable basis before Brezhnev and Tito are replaced. The Kremlin, however, is not prepared to make major concessions to achieve these ends. [redacted]

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From the Soviet standpoint, the principal bilateral topics for discussion will probably be economic relations, party ties, and perhaps military relations. [redacted]



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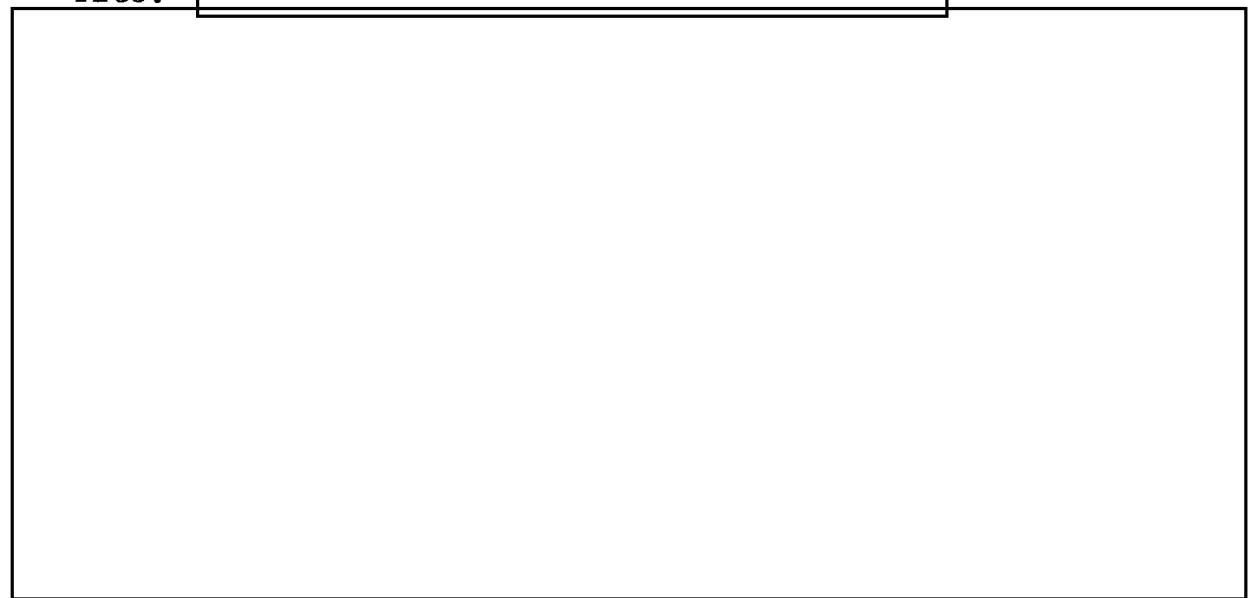
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The Soviet leaders are haunted by the fear--probably out of all proportion to its likelihood or consequence--of a new Chinese foothold in the Balkans. Their media have lambasted Yugoslavia and Romania, both directly and indirectly, for receiving Chinese Premier Hua Guofeng last August and taking a neutral position on China's invasion of Vietnam.

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Moscow is likely to make it quite clear to Tito, [redacted] that the USSR will not countenance an expansion of China's influence in the Balkans, nor will it look with favor on closer economic--or military--ties between Yugoslavia and China. The Soviets, nevertheless, probably realize that overplaying their hand on this issue, despite its central position in their thinking, would only further alienate the independent-minded Tito.

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

Mexico

Three cabinet officers--the Ministers of Foreign Affairs, Interior, and Budget and Programming--"resigned" last night, according to an announcement from President Lopez Portillo's office. The President has already appointed replacements. There were no indications that the changes were related to the visit to Mexico of Cuban President Castro, scheduled to start today. The US Embassy commented this morning that the timing of the cabinet shuffle took the principals and the government by surprise. It commented that the shuffle apparently portends no significant change in US-Mexican relations.



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UK - West Germany

The US Embassies in London and Bonn have reported that the meeting between Prime Minister Thatcher and Chancellor Schmidt went exceptionally well. Sources in both capitals indicated that European issues predominated during the talks, but the Embassy in London noted that from the US viewpoint the most significant result of the meeting was the public endorsement of the SALT agreement voiced by Mrs. Thatcher after Schmidt had discussed with her his views on the importance of detente. The West German delegation was impressed both with the easy informality and smooth working relationships shown by the new Conservative ministers and particularly by Mrs. Thatcher's knowledge of a wide range of topics and her competent, confident manner.



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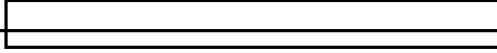
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Turkey

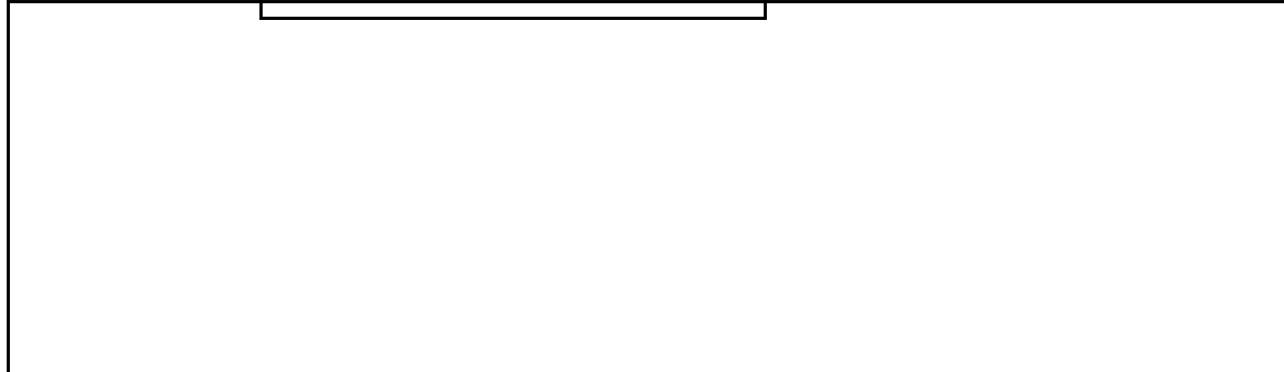
Turkey and the International Monetary Fund adjourned negotiations on Tuesday following discussion of an IMF paper detailing Turkey's economic problems and recommended solutions, according to a report from the US Embassy. Prime Minister Ecevit reportedly did not dispute the IMF's recommendations, but he asserted that the IMF was asking him to take serious political risks, in return for which he was given no real assurance of foreign assistance. The Turks made counterproposals, which the IMF representatives considered wholly inadequate. The IMF negotiating team planned to leave Ankara yesterday. It noted that negotiations had been carried out in good faith and that the meetings were being adjourned temporarily. Both sides remain hopeful that it will be possible for the West Germans, the Bank for International Settlements and other donors to provide \$200 million on short notice, and that OECD governments would follow through with their scheduled formal pledges of aid on

30 May.



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